



**THE ANTECEDENTS OF EFFECTIVE CASHFLOW MANAGEMENT
AMONG SMALL AND MEDIUM ENTERPRISES IN KAMPALA**

BY

KUSHABA LOYCE

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Plan B

NOVEMBER, 2025

DECLARATION

DECLARATION

I **Kushaba Loyce** hereby declare that this is my original work and that it has never been submitted and/or presented for any award in any university or institution of higher learning.

Signature 

Date..... 10th / 11 / 25

KUSHABA LOYCE

2023/HD06/23199U

APPROVAL

APPROVAL

This is to certify that this dissertation has been submitted in partial fulfillment of the requirements for the award of the degree of Masters of Business Administration of Makerere University with my approval as the supervisor.

Signature :



Date

10/11/2025

Dr. Kasimu Sendawula

Supervisor

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LIST OF ABBREVIATIONS AND ACRONYMS

CVI	Content Validity Index
GDP	Gross Domestic Product
IT	Information Technology
MBA	Master of Business Administration
SD	Standard Deviation
SMEs	Small and Medium Enterprises
SPSS	Statistical package for social scientists
TL	Trading License

ABSTRACT

The study investigated the antecedents of effective cash flow management among small and medium enterprises (SMEs) in Kampala, guided by three objectives: identifying the antecedents of effective cash flow management, assessing the challenges SMEs face in managing cash flows, suggesting strategies to enhance cash flow practices. A descriptive research design with a mixed-methods approach was adopted, and data were collected from 301 respondents, including SME managers and owners, as well as key informants from the Federation of Small and Medium-sized Enterprises (FSME) and Kampala Capital City Authority (KCCA). The data was collected using self-administered questionnaires and interview guides which helped to collect both quantitative and qualitative data. Quantitative data were analyzed using SPSS version 27, while qualitative data were processed using Atlas.ti version 9. The findings revealed that there were various antecedents towards effective cashflow management which were; regular performance reviews, cash flow forecasting, timely invoicing, and budgeting. These were further strengthened by the use of digital tools and financial training which significantly impact daily financial practices and decision-making processes within the businesses studied. Moreover, different challenges are faced by SMEs in managing cash flows. Some of these challenges are irregular customer payments, lack of financial skills and limited access to financial training, limited access to credit, poor record-keeping, tax obligations, high operating costs, delayed supplier payments, and the absence of budgeting tools. These constrain working capital, operational efficiency, and financial planning. Based on the challenges it is recommended that collaborative financial literacy programs should be implemented to enhance SME owners' understanding of cash flow management principles. Moreover, structured invoicing systems and digital payment reminders should be adopted to improve the consistency and timeliness of cash inflows in SMEs. In Addition, the adoption of simple digital bookkeeping tools by SMEs supported by basic training in financial documentation should be adopted to strengthen SMEs' ability to track and plan cash movements more accurately and effectively.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The chapter outlines the study's background, problem statement, objectives, research hypothesis, scope, and significance.

1.1 Background

Small and medium-sized enterprises (SMEs) are independently owned businesses that typically employ fewer people and operate with limited capital compared to large corporations. They are widely recognized as vital engines of economic growth, contributing significantly to job creation and global development. According to the World Bank Report (2020), SMEs represent approximately 90% of all businesses and account for more than 50% of employment worldwide (Alao et al., 2025; Egwu et al., 2021).

In ensuring successful operation, Small and medium-sized enterprises (SMEs) need to undertake effective cash flow management. According to Ngakantsi (2022), cash flow management is the process of tracking, evaluating, and optimizing the flow of funds into and out of a business over a given time frame. In this regard it helps small business owners to keep tabs on financial inflows and outflows, match expenditures to income, and allocate resources wisely, all of which promote organizational stability, long-term planning, and the capacity to pay debts (Batiuk & Kuzyk, 2025). According to Gray (2025) and Vamsi & Eswaraiah (2025), efficient cash flow management also improves operational effectiveness, lessens dependency on borrowing, and gives SME owners a better understanding of a business's financial health. Owners of SMEs can better plan for liquidity and lower the risk of shortfalls by using their managerial skills and financial literacy to create realistic cash-flow predictions and analyze financial accounts (Nanyanzi & Bukenya, 2023; Nassuuna, 2023).

Several initiatives have been put in place in Uganda to improve small and medium-sized businesses' (SMEs') cash flow management. For example, in November 2024, the Uganda Investment Authority (UIA) organized a financial literacy course at Hotel Africana in partnership with the Federation of Small and Medium Enterprises (FSME) and UAP Old Mutual, drawing in

over 400 SMEs. To offer helpful financial management advice with the goal of improving long-term sustainability, growth, and resilience (Tayebwa, 2024). Furthermore the government has established and partnered in various funds such as small business recovery fund (SBRF) and the micro and small enterprise recovery fund (in partnership with MasterCard Foundation), these provide concessional capital to participating financial institutions for onward lending to SMEs at reduced rates especially in the after month of economic shocks. There are government wealth creation programs for example parish development model that involve establishing SACCOS at parish level to provide access to credit hence promoting financial inclusion for SMEs across the country .In order to improve operational resilience and long-term sustainability, these interventions work together to improve SMEs' capacity to monitor and predict cash flows, obtain liquidity, and make wiser financial decisions.

Despite various interventions, cash flow management remains a significant challenge for SMEs in Uganda. Studies indicate that approximately 50% of SMEs in Uganda fail annually, primarily due to poor cash flow management practices, which adversely affect their operational stability over time (Atyanga, 2021; UBOS, 2022). Additionally, a survey by the Bank of Uganda in 2022 found that only 30% of Ugandans possess a comprehensive understanding of basic financial concepts, highlighting a gap in financial literacy that impacts effective cash flow management (Bank of Uganda, 2022). Access to formal credit remains limited, with only about 15% of SMEs in Uganda having access to formal credit, indicating the scale of the challenge and the opportunity for improvement (Sserwanja et al., 2022). Furthermore, approximately 70% of MSMEs in Uganda have unmet credit needs, underscoring the financial constraints faced by these enterprises (World Bank, 2021). These statistics underscore the persistent challenges in cash flow management among SMEs in Uganda, despite on-going interventions.

Against that background, this study aims to examine the antecedents of effective cash flow management among SMEs in Kampala, with the goal of informing strategic actions and policy interventions that can enhance financial practices and improve business sustainability. Given the centrality of cash flow to SME survival and growth, and the persistent challenges observed across African contexts, particularly in Kampala, there is a pressing need to investigate the underlying factors that drive effective cash flow management. By identifying these antecedents, this study seeks to generate actionable insights that can inform financial strategies, strengthen internal controls, and guide interventions aimed at improving SME resilience and sustainability.

1.2 Statement of the Problem

Effective cash flow management is crucial for the cash flow management of Small and Medium-sized Enterprises (SMEs) in Uganda, as it enables them to meet operational expenses, invest in growth opportunities, and navigate financial uncertainties (Nasimiyu, 2023; Nkundabanyanga *et al.*, 2024). To improve cash flow management, many SMEs have implemented strict debt collection measures, financial forecasting, cost optimization, and secured alternative financing options (Uganda Investment Authority, 2024). However, many SMEs in Kampala still face significant challenges in managing their cash flows. For example, Uwonda and Okello (2024) found that 85% of SMEs in Kampala experience cash flow problems such as delayed payments from customers, financial planning and forecasting and ineffective credit policies (Uwonda, et al., 2013). In addition, 60% of the SMEs experience delayed customer payments, with an average delay of 90 days. Moreover, 53% of the SMEs are unable to secure loans as a strategy to increase their cash inflow (Uganda Investment Authority, 2024). On the expenditure side, 85% of SMEs report high operating costs, with an average expense ratio of 70%, while 70% struggle with poor inventory management, leading to low turnover rates (Uganda Investment Authority, 2024; Uganda Bureau of Statistics, 2024). If the situation remains unchanged, SMEs will continue to face financial instability, limiting their capacity to manage cash flows resulting into reduced profitability, and even business failure. As such, the study is intended to explore the possible caused of poor cash flow management with the goal of suggesting strategies that can strengthen the financial position of SMEs in Kampala Uganda.

1.3 Purpose of the study

The study investigated the antecedents, challenges and strategies of promoting cash flow management among small and medium enterprises in Kampala

1.4 Objectives of the study

- i. To examine the antecedents of effective cash flow management among small and medium enterprises in Kampala
- ii. To assess the challenges faced by SMEs in Kampala to effectiveness manage their cash flows

- iii. To develop strategies for enhancing effectiveness cash flow management among small and medium enterprises in Kampala

1.5 Research questions

- i. What are the antecedents of effective cash flow management among small and medium enterprises in Kampala?
- ii. What are the challenges faced by SMEs in Kampala to effectiveness manage their cash flows?
- iii. What are strategies for enhancing effectiveness cash flow management among small and medium enterprises in Kampala?

1.6 Scope of the study

1.6.1 Content scope

The study investigated the antecedents, challenges and strategies of promoting cash flow management among small and medium enterprises in Kampala.

1.6.2 Geographical scope

This study was conducted in Kampala District, Uganda in central region of Uganda, approximately 0°19'N latitude and 32°35'E longitude. The district is bordered by Wakiso District to the North, West, and South, and by Mukono District to the East. The district was chosen because it hosts the highest concentration of SMEs and serves as the country's central business hub (UBOS, 2023) and it had a high SME failure rate (KCCA, 2022), making it a critical setting for understanding and addressing the financial management issues that threaten business sustainability.

1.6.3 Time scope

The study was conducted in a period of five months that from June 2025 to October, 2025. This period was comprehensive enough to help the researcher gather enough data in relation to topic in question.

1.7 Significance of the Study

The study will be important to the following stakeholders

1.7.1 Policymakers

The findings of this study will provide evidence-based insights into the structural and regulatory barriers affecting cash flow management among SMEs in Kampala. This can inform the development of targeted policies that promote financial resilience, such as fair payment practices, simplified tax procedures, and financial literacy programs tailored to SME needs.

1.7.2 Practitioners

Business consultants, financial advisors, and SME support organizations will benefit from practical knowledge on the key drivers and challenges of cash flow management. The study offers strategies that can be applied to improve internal financial controls, forecasting, and receivables management, ultimately enhancing SME liquidity and sustainability.

1.7.3 Academia

This research contributes to the academic literature on SME financial management in Sub-Saharan Africa by exploring the antecedents of effective cash flow practices in Kampala. It provides a foundation for future studies, including comparative research across regions or longitudinal analyses of SME financial performance..

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

A literature review is an in-depth examination of existing research that is relevant to the work being conducted. It demonstrates the researcher's familiarity with the body of knowledge, establishing credibility (Van Lange Paul et al., 2015). As a result, this chapter provides a review of the study's key concepts, and empirical literature relevant to the study, and concludes with a summary.

2.1 Key Concepts of the Study

2.1.1 Cashflow Management

Cash flow management refers to the systematic oversight, evaluation, and enhancement of how money enters and exits a business within a defined timeframe (Moore, 2020). It enables business owners to estimate expected inflows and outflows of funds based on operational expenses and projected income during a given period (Pasaribu et al., 2024). Kay et al. (2020) emphasize that this timeframe is typically broken down into monthly or quarterly intervals to help monitor whether the enterprise is spending within its means. Effective cash management helps in anticipating potential financial gaps before they arise. When adopted by farmers, this practice can significantly improve the financial health of agricultural ventures (Jasien , 2019).

Soet (2019) describes cash flow as the essential life force of any business, warning that a failure to maintain positive flow can lead to persistent financial stress, possible defaults, and eventual bankruptcy. Plaskova et al. (2020) stress the strategic role of managing cash flow in guiding enterprise decisions and ensuring long-term viability. Similarly, Moore (2016) highlights the critical need for regular cash flow monitoring to achieve organizational goals. Taken together, these views underscore that without active cash flow management, farming operations may falter—making it crucial for farmers to track cash movement throughout each growing season. These insights directly inform the study's second research question (Pasaribu et al., 2024).

Plaskova et al. (2020) emphasize that ineffective cash flow management remains a widespread challenge among enterprises. However, Haron et al. (2015) note that many managers recognize cash flow control as a crucial mechanism for overseeing daily business operations. Milojević and Miletić (2014) associate sound cash management with the preparation of accurate cash flow statements and forecasts to track and explain how money moves within the enterprise. Boss and Pond (2021) add that hiring financially competent personnel is essential so they can interpret financial reports and advise management effectively. Soet (2019) supports this by highlighting that companies implementing these practices often achieve sustainable growth and financial stability. Therefore, farmers are encouraged to develop financial skills that enable them to manage cash flow proficiently and make wise financial choices in both the short and long term (Vallim et al., 2023).

Myeni (2018) agrees that businesses with strong cash flow management practices are less likely to face liquidity crises, insolvency, or bankruptcy. Dalton (2011) underlines the importance of interpreting cash flow forecasts and statements accurately, reinforcing the idea that these tools are essential to a business's success (Youssef, 2024). As a result, Serfilippi et al. (2022) urges firms to implement systems that continuously monitor financial health. For farmers, this means remaining financially agile to meet obligations and using interim financial reports and budgets to make informed adjustments that support cash flow and liquidity.

The vitality of any business hinges on a steady cash flow, which enables it to meet short-term obligations (Barnabas & Oloyede, 2024). The key principle of effective cash management is ensuring that incoming funds consistently exceed outflows, leading to a positive net cash flow. Boss and Pond (2021) propose that any surplus should be saved for future business needs, allowing access to funds during routine business cycles. This calls for farmers to anticipate their seasonal revenues and operating profits early enough to make timely investment decisions or reserve surplus funds for future liquidity demands.

Nasimiyu (2023) warn that a prolonged sales cycle can deplete available cash. They argue that balancing debtor and creditor periods through cash flow management helps determine appropriate working capital requirements to bridge any financial gap while awaiting receivables. For farmers, this translates to a need for a solid grasp of the agricultural cycle and how it affects upcoming cash flow needs.

Finally, Boss and Pond (2021) suggest that businesses can draw from savings or access short-term credit to manage temporary cash gaps. Negotiating longer payment terms with suppliers is another way to retain cash for essential operations. Haron et al. (2015) note that regular forecasting helps businesses anticipate working capital demands during planning stages. In this context, Moore (2016) concludes that annual cash flow forecasts are critical for identifying risks and preventing financial disruption. The key message: forward planning is indispensable for ensuring adequate working capital throughout the season (Harwood, 2021). Antecedents

2.3.1 Antecedents for effective cash flow management among small and medium enterprises

Effective cash flow management is vital for the survival and growth of small and medium enterprises (SMEs). This section examines key drivers that influence cash flow effectiveness, including accounts receivable management, forecasting and budgeting practices, financial literacy, inventory control, and access to financing. These factors collectively shape liquidity, operational stability, and financial resilience in SMEs.

Accounts Receivable Management

Managing receivables efficiently is a cornerstone of maintaining healthy cash flow in SMEs. When customers delay payments, businesses face liquidity constraints that can disrupt operations. Li (2022) observes that many SMEs lack structured policies for extending credit, leading to inconsistent and unpredictable cash inflows. This makes it challenging to meet short-term obligations. Siro and Miroga (2025) emphasize that effective receivables management, such as credit vetting and timely collections, is closely tied to improved financial performance among SMEs. Uwonda et al. (2013) further highlight that in the Ugandan context, failure to provide early payment incentives or enforce repayment timelines often results in chronic cash flow instability. Together, these studies underscore the need for SMEs to formalize their credit procedures and tighten receivables cycles to preserve liquidity.

Cash Flow Forecasting and Budgeting

Cash flow forecasting enables SMEs to anticipate potential shortfalls and proactively plan for upcoming expenses. Kay et al. (2022) suggest that segmenting business finances into quarterly or monthly periods allows managers to monitor patterns and adjust spending in real time. By

maintaining a forward-looking approach, businesses are better positioned to avoid liquidity crunches. Mungai and Mungai (2020) show that SMEs in Nyeri employing structured cash budgeting practices experienced noticeable improvements in profitability and operational efficiency. Similarly, Okeke et al. (2024) argue that strategic financial forecasting provides SMEs with the confidence to pursue growth while staying within their resource constraints. These findings collectively demonstrate how forecasting transforms reactive financial management into a proactive tool for business resilience.

Financial Literacy and Skilled Personnel

The presence of financially literate staff within SMEs dramatically improves their ability to interpret reports, forecast needs, and respond to challenges. Boss and Pond (2021) stress that equipping businesses with skilled professionals who can analyze cash flow data fosters evidence-based decision-making. This is particularly crucial when navigating uncertain markets. Molina-García et al. (2023) find in a bibliometric review that higher financial literacy levels among SME managers correspond with increased survival rates and capital efficiency. Graña-Alvarez et al. (2022) add that well-informed personnel not only manage existing resources more wisely but also help SMEs avoid common financial pitfalls, such as overborrowing or misallocating funds. These insights reinforce the value of targeted financial training and recruiting practices that build in-house capabilities for better cash flow oversight.

Inventory Management

Efficient inventory practices help avoid the costly trap of tying up working capital in unsold or slow-moving goods. Panigrahi et al. (2024) note that SMEs that optimize their stock levels experience smoother cash flow cycles and fewer operational disruptions. Poor inventory turnover, on the other hand, often leads to liquidity issues due to locked-in cash. Olowolaju and Mogaji (2020) observed that many SMEs in Nigeria suffer from overstocking due to informal procurement systems and lack of data-driven planning, which contributes to erratic cash outflows. Uwonda et al. (2013) further point out that redundant inventory and inefficient stock monitoring practices negatively impact asset utilization and financial performance in Uganda. To remain solvent, SMEs must balance inventory investments with actual sales forecasts and market demand.

Access to Financing and Capital Structure

Availability of funding plays a pivotal role in bridging temporary cash flow gaps and supporting expansion. Megersa (2020) argues that SMEs often lack access to formal credit due to weak collateral and informal financial records, but innovative tools like supply chain financing and digital credit platforms can ease capital constraints. Chilembo (2021) emphasizes that capital structure decisions—like balancing between debt and equity—affect not only solvency but also day-to-day cash availability. Nicholas et al. (2024) advocate for strategic cash holding policies and blended financing options to ensure SMEs can weather shortfalls without halting operations. These scholars agree that improving access to fit-for-purpose finance and making prudent capital structure choices are essential for consistent and effective cash flow management.

2.3.2 The challenges faced by SMEs to effectiveness manage their cash flows

Small and medium enterprises (SMEs) face persistent challenges in managing cash flows, which threaten their financial stability and growth. This section outlines key obstacles including irregular revenue streams, delayed customer payments, high operating costs, poor financial planning, and limited access to financing. These constraints often undermine liquidity, disrupt operations, and reduce the ability of SMEs to respond to financial shocks.

Irregular Revenue Streams

Many SMEs operate in sectors with seasonal demand or inconsistent customer bases, leading to unpredictable income. This volatility makes it difficult to plan for expenses or maintain liquidity. According to Chinowuthichai (2023), uneven revenue is one of the most common cash flow challenges, especially for SMEs that rely on a narrow market segment. Mungal and Garbharran (2014) also highlight that fluctuating sales cycles in developing communities often leave SMEs vulnerable to cash shortages. Similarly, Oluoch (2016) found that inconsistent revenue patterns in Eldoret's SMEs hindered their ability to meet recurring financial obligations.

Late Payments from Customers

Delayed receivables are a major source of cash flow strain. SMEs often lack the leverage to enforce strict payment terms, resulting in prolonged collection periods. Chinowuthichai (2023)

notes that late payments disrupt cash cycles and limit the ability to pay suppliers or reinvest in operations. Boss and Pond (2021) emphasize that without timely collections, even profitable businesses can face liquidity crises. Uwonda et al. (2013) observed that in Northern Uganda, many SMEs lacked formal credit policies, leading to chronic delays in customer payments and weakened financial performance.

High Operating Expenses

Overhead costs such as rent, salaries, and utilities can quickly deplete available cash, especially when not aligned with revenue. Chinowuthichai (2023) recommends regular cost audits and renegotiation of supplier terms to manage this challenge. Mungal and Garbharran (2014) found that many SMEs in South Africa failed to monitor fixed costs, resulting in negative cash flow despite healthy sales. Oluoch (2016) similarly reported that poor expense control was a leading cause of financial distress among SMEs in Kenya.

Poor Financial Planning and Forecasting

Many SMEs operate without structured budgeting or forecasting tools, making it difficult to anticipate cash needs. Bradford (2025) explains that inaccurate data and outdated spreadsheets often lead to flawed projections, leaving businesses unprepared for shortfalls. Kay et al. (2016) argue that dividing financial periods into manageable intervals helps SMEs monitor spending and adjust in real time. Okeke et al. (2024) add that strategic forecasting enables SMEs to align cash flow with operational goals and avoid reactive decision-making.

Limited Access to Financing

SMEs often struggle to secure external funding due to lack of collateral, poor credit history, or informal recordkeeping. Megersa (2020) points out that traditional lenders view SMEs as high-risk, limiting their access to working capital. Chilembo (2021) found that even promising SMEs in Lusaka faced financing barriers that restricted their growth. Nicholas et al. (2024) emphasize that without access to short-term credit or emergency funds, SMEs are more likely to experience cash flow disruptions during downturns or unexpected expenses.

2.3.3 Strategies for enhancing effectiveness cash flow management among SMEs.

To strengthen financial resilience, small and medium enterprises (SMEs) must adopt proactive strategies that enhance cash flow management. This section outlines key approaches such as implementing cash flow forecasting, improving receivables collection, controlling operating expenses, and diversifying financing options. These strategies enable SMEs to maintain liquidity, anticipate financial needs, and navigate operational uncertainties with greater confidence.

Implementing Cash Flow Forecasting

Forecasting allows SMEs to anticipate future cash needs and avoid liquidity shortfalls. According to Kay et al. (2016), breaking down financial periods into monthly or quarterly intervals helps businesses monitor spending and adjust proactively. Okeke et al. (2024) emphasize that strategic forecasting aligns cash flow with operational goals, enabling SMEs to plan for both expected and unexpected expenses. BrightBooks (2025) recommends using digital tools to automate forecasting and generate real-time insights, helping SMEs make data-driven decisions and respond quickly to financial fluctuations.

Strengthening Accounts Receivable Management

Timely collection of receivables is essential for maintaining liquidity. Li (2022) notes that SMEs often struggle with delayed payments due to weak credit policies. Siro and Miroga (2025) found that businesses with structured receivables systems such as clear payment terms and follow-up procedures experience better financial performance. Affluent CPA (2024) suggests offering early payment discounts and using invoicing software to accelerate collections and reduce bad debts.

Controlling Operating Expenses

Keeping overhead costs in check ensures that outflows don't exceed inflows. Mungal and Garbharran (2014) observed that many SMEs fail to monitor fixed costs, leading to negative cash flow despite strong sales. Meenakshi and Ranjan (2024) recommend regular budget reviews and cost audits to identify inefficiencies and reallocate resources effectively.

BrightBooks (2025) also advises SMEs to create realistic budgets based on historical data and to track expenses against projections to avoid overspending.

Diversifying Financing Options

Access to flexible funding helps SMEs bridge cash flow gaps and invest in growth. Megersa (2020) highlights the importance of exploring non-traditional financing such as supply chain finance, crowdfunding, and government grants. Chilembo (2021) found that SMEs with diversified funding sources are more resilient to financial shocks. Meenakshi and Ranjan (2024) stress that understanding the pros and cons of each financing option empowers SMEs to make informed capital decisions.

Leveraging Technology and Digital Tools

Digital solutions can streamline financial processes and improve cash visibility. Boss and Pond (2021) argue that using accounting software enhances accuracy in tracking inflows and outflows. Molina-García et al. (2023) found that tech adoption correlates with improved financial literacy and decision-making in SMEs. Affluent CPA (2024) recommends integrating cash flow dashboards and analytics tools to monitor trends and automate alerts for potential shortfalls.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design, study population, sample size, sampling technique, data collection method and instruments, data collection procedure, data processing and analysis and ethical issues.

3.2 Research design

The study employed a descriptive research design to investigate the antecedents of effective cash flow management among SMEs in Kampala. Descriptive design is suitable for studies that aim to systematically describe characteristics, behaviors, or conditions as they exist in a population (Saunders, Lewis, & Thornhill, 2019). It allows the researcher to observe and document phenomena without manipulating variables, making it ideal for understanding financial management practices in real-world settings. This design enabled the collection of detailed information from SME owners and financial managers, providing insights into their cash flow strategies, challenges, and decision-making processes (Creswell, 2014).

3.3 Research Approach

A research approach refers to the systematic plan a researcher uses to gather, analyze, and interpret data to address specific objectives (Kothari, 2004). This study adopted a mixed methods research approach, which integrates both quantitative and qualitative techniques to provide a comprehensive understanding of the antecedents of effective cash flow management among SMEs in Kampala. Mixed methods research has gained prominence in business and management studies for its ability to capture both numerical trends and contextual insights (Cameron & Golenko, 2023). By combining structured survey data with qualitative perspectives, the approach allows for triangulation—comparing and validating findings across data sources—which enhances the credibility and depth of analysis (Halcomb & Hickman, 2015; Nguyen et al., 2025). Quantitative methods offer measurable evidence on financial practices, while qualitative methods reveal the lived experiences and decision-making behaviors of SME managers. Creswell (2014) and Turner & Burton (2017) emphasize that mixed methods research leverages the complementary strengths

of both approaches, enabling researchers to explore complex phenomena more holistically and generate findings that are both practical and academically robust.

3.3 Study population

Creswell (2013) describes a study population as a group of individuals sharing similar traits, while Furi (2020) defines it as the entire group under examination in the research. For this study, the population consisted of proprietors and managers of SMEs located in Kampala District, who served as the primary subjects of inquiry. According to the Kampala Capital City Authority (KCCA, 2025), there were approximately 45,000 registered SMEs in the district. In addition to the quantitative respondents, qualitative insights were gathered from eight key informants, including SME association leaders and officials from KCCA. These key informants were purposively selected based on their direct involvement and expertise in SME operations and local government support structures. The inclusion criteria focused on individuals holding leadership or decision-making roles relevant to cash flow management among SMEs, while those without direct experience or influence in this area were excluded. Their perspectives enriched the understanding of the factors influencing cash flow management among SMEs.

In addition a total of eight key informants were selected to provide qualitative insights for this study. This number was informed by the need to capture diverse yet relevant perspectives from stakeholders directly involved in SME operations and support structures within Kampala District. The informants included three SME association leaders and five officials from the Kampala Capital City Authority (KCCA). They were purposively chosen based on their leadership roles, decision-making authority, and firsthand experience with cash flow management issues among SMEs. This targeted selection ensured that the data collected would be rich, contextually grounded, and aligned with the study's objectives

3.4 Sample Size

3.4.1 Sample Size Determination for quantitative method

Creswell (2013) defines a sample as a subset of the population chosen for study to generalize findings about the larger group. The study aimed for a sample size of 396 small and medium Size businesses in Kampala district, determined using the Taro Yamane (1967) method with a 95%

confidence level and a 0.05 margin of error.

The formula is given as: $n = \frac{N}{1+(e^2)}$

Where;

n = the sample size, N = the population size, e = the level of accuracy (allowable error) that is 5%.

With 45,000 SMEs in Kampala district, the calculated sample size was 396. This method has produced reliable results in similar research, such as the studies by Mavundla (2020).

3.4.2 Sample size determination for qualitative method

For the qualitative component of the study, a sample of eight key informants was selected using purposive sampling. These included three SME association leaders and five officials from Kampala Capital City Authority (KCCA), chosen for their specialized knowledge and direct involvement in SME operations and financial management. KCCA was selected because it plays a central regulatory and support role in the governance and development of SMEs within Kampala, including oversight of licensing, taxation, and business development services. The five officials engaged were drawn from departments responsible for business registration, revenue collection, enterprise development, and financial oversight. These individuals were selected based on their professional roles, experience working with SMEs, and their capacity to provide informed perspectives on institutional practices affecting cash flow management. The number of KCCA participants was informed by the need to capture diverse institutional viewpoints while maintaining a manageable sample size conducive to in-depth qualitative analysis. The decision to select eight informants overall was guided by qualitative research literature, which emphasizes the importance of data saturation. This refers to the point at which no new insights are emerging and serves as a benchmark for sample adequacy (Sandelowski, 1995; Wutich et al., 2024). Studies suggest that for expert interviews or key informant designs, a sample size ranging from five to fifteen participants is typically sufficient to achieve thematic saturation, especially when participants are highly knowledgeable and the research focus is narrow (Subedi, 2021). This focused sample was therefore appropriate for the study's aim of gaining in-depth insights into the antecedents of effective cash flow management among SMEs in Kampala, rather than producing generalizable findings..

3.5 Sampling Technique

3.5.1 Sampling technique for quantitative method

The study utilized a stratified random sampling technique, with the strata defined by the five administrative divisions of Kampala: Central, Kawempe, Makindye, Nakawa, and Rubaga. A total of 396 SMEs were selected, distributed across the divisions as follows: Central (80), Kawempe (78), Makindye (79), Nakawa (79), and Rubaga (80). Within each stratum, SMEs were randomly selected to participate, ensuring that every enterprise had an equal chance of inclusion. Stratified sampling involved dividing the population of SME owners into distinct subgroups based on their location within these divisions, and then randomly selecting participants from each stratum (Bhardwaj, 2019). This method was chosen to ensure proportional representation across the city's diverse economic zones, thereby enhancing the accuracy and generalizability of the findings. By accounting for geographical and administrative variation, the study captured potential differences in cash flow management practices among SMEs operating in different parts of Kampala. This approach also minimized sampling bias and ensured that the sample reflected the broader population of SME owners in the district.

Table 3.1: Sampling Distribution of SMEs in Kampala

Administrative Division	Population	Proportion	Number of SMEs Selected	Sampling Method
Kampala Central	9091	0.202	80	Stratified random sampling
Kawempe	8864	0.197	78	Stratified random sampling
Makindye	8977	0.199	79	Stratified random sampling
Nakawa	8977	0.199	79	Stratified random sampling
Rubaga	9091	0.202	80	Stratified random sampling
Total	45,000	1.0	396	Stratified random sampling across divisions

Source: KCCA (2025)

Note: Stratification was based on Kampala's five administrative divisions to ensure proportional representation and minimize sampling bias. This approach enhanced the generalizability of findings by capturing geographical variation in SME cash flow management practices (Bhardwaj, 2019).

3.5.2 Sampling technique for qualitative method

This study employed a purposive sampling technique, a non-probability sampling method that allows the researcher to use their judgment to deliberately select participants who are most likely to provide rich, relevant, and diverse insights related to the research questions and objectives. According to Saunders, Lewis, and Thornhill (2009), purposive sampling is particularly effective when working with small, information-rich samples, as it enables the researcher to focus on specific characteristics or experiences that are critical to the study. This approach enhances the depth and relevance of the data collected, thereby supporting meaningful analysis and interpretation..

3.5.3 Sampling technique for qualitative method

The study's inclusion criteria for selecting SMEs required that the businesses be officially registered and operational within one of the five administrative divisions of Kampala, actively engaged in trade for at least one year, and employing between 1 to 5 employees, aligning with the SME definition. SMEs that were newly established (less than one year), informal or unregistered businesses, or those not primarily involved in commercial activities were excluded. This ensured that the sample consisted of established enterprises with relevant experience in cash flow management, providing reliable data for the study

3.6 Data collection methods and instruments

In this study, self-administered questionnaires and interviews guide were used to gather quantitative and qualitative data.

3.6.1 Self-administered questionnaire

A self-administered questionnaire is a method of collecting data in which participants answer the questions independently, without the assistance of an interviewer. It enables participants to provide

information at their own leisure and can be in the form of paper or electronic data. Although it depends on the participant's comprehension and honesty to assure accuracy, this approach is frequently employed in research due to its affordability, anonymity, and capacity to reach a large number of respondents (Kothari, 2022; Saunders, Lewis, & Thornhill, 2019).

Self-administered questionnaire was used in research because it was cost-effective, allowed anonymity, ensured standardization, and reached a large and geographically dispersed audience. It also enabled the respondents to respond at their own pace and encouraged honesty and convenience, making it an efficient method for collecting reliable and consistent data from many respondents.

The questionnaire has five sections (A,B,C,D &E) which contained closed ended question. Section A comprised of respondents characteristics like age, gender and others, section B comprised of firm characteristics like number of employee, location of the business among others. Sections C, D and E comprised of five likert scale questions on three specific objectives of the study. Likert scale was coded as follows;

1 = strongly disagree

2 = Disagree

3 = Neutral

4 = Agree

5 = Strongly agree)

The owners and managers of SMEs were given the self-administered questionnaire to complete at their individual establishments. Respondents with time were able to complete the questionnaire right away, while those without time were given the option to do so whenever it was most convenient for them. Respondents who completed the questionnaire promptly had it collected by the researcher, who also obtained the contact information of those who were unable to complete it so that they could be contacted and the questionnaire could be collected later.

3.6.2 Interview guide

An interview guide is a tool that outlines the questions and topics to be covered during an interview, helping researchers collect consistent and relevant information while allowing flexibility for probing (Kothari, 2022).

An interview guide was used to ensure that interviews are focused, consistent, and aligned with the research objectives. It helped the researcher to cover all relevant topics while allowing flexibility to explore participants' responses in depth. Also it reduced the likelihood of omitting important questions, facilitated comparability across multiple interviews, and enhanced the reliability and validity of the data collected, especially in qualitative approach where understanding participants' experiences and perspectives was crucial.

The researcher prepared the guide with key questions and topics aligned with the study objectives and used it to direct the conversation while allowing flexibility for follow-up or probing questions based on the participant's responses. During the interview, the guide ensured that all critical areas were addressed consistently across participants, while the interviewer adapted the order of questions, clarified meanings, and explored emerging insights. Later the guide served as a reference for organizing and analyzing the collected data, ensuring that comparisons across respondents was systematic and aligned with the research objectives.

3.7 Validity and Reliability

The questionnaire was designed to meet specific research objectives, ensuring its validity and reliability.

3.7.1 Quantitative study Validity and Reliability

Validity

The study carried out both face and content validity assessments to ensure that the questionnaire accurately measured the intended dimensions of cash flow management. Face validity involved the supervisor reviewing the questionnaire items and providing feedback on their clarity and relevance. Content validity was conducted through consultation with the supervisor and an expert from Kampala Capital City Authority (KCCA), both of whom were knowledgeable about SME operations and financial management. These validity checks ensured that the results obtained from the survey reflected the constructs under investigation (Sürücü & Maslakci, 2020). A minimum Content Validity Index (CVI) value of 0.7 or above was required for the instrument to be considered valid (Yusoff, 2019). The CVI was computed after pre-testing the instrument and making final adjustments based on expert evaluations (Baharuddin et al., 2021).

$$CVI = \frac{\text{No.of questions declared valid}}{\text{Total No.of questions}} * 100$$

Content Validity Index (CVI) was computed for each instrument using the following formula adopted from (Amin, 2005)

$$CVI = \frac{R}{R+IR}$$

Where: *CVI* is the content validity Index,

R is the number of relevant items and

IR is the number of irrelevant items

Table 3.2: Validity Results

Variable	Number of items	Content Validity Results
Drivers	10	0.745
Challenges	10	0.713
Strategies	10	0.824

Source: Primary data (2025)

Reliability

The study tested the internal consistency of the research instruments using the Cronbach's alpha coefficient, computed in SPSS version 27 (Adamson & Prion, 2013). The reliability of the questionnaire was enhanced through pre-testing with pilot samples, and the resulting computations were examined to confirm consistency and accuracy (Seth et al., 2022). Reliability was assessed to determine whether the items functioned effectively as measurement tools (Melo et al., 2021). According to Sekaran (2003), a Cronbach's alpha value of 0.7 or above was considered acceptable for establishing the reliability of the instrument.

Table 3. 3: Reliability Results

Variable	Number of items	Cronbach Alpha
Drivers	10	0.815
Challenges	10	0.812
Strategies	10	0.721

Source: Primary data (2025)

3.7.2 Addressing reliability concerns and Validity in the qualitative data

In qualitative investigations, the concept of validity is expressed using a variety of terminology (Christalle et al., 2022) because it is not a single, constant, or universal notion, but rather a contingent construct inextricably linked to the processes and intents of certain research approaches and initiatives. The supervisor suggested revisions to the questions and corrections, which were subsequently rewritten, and some items were omitted to remove ambiguity from the data collection instrument. The following methods were used to ensure validity in this qualitative study:

Trustworthiness in Qualitative Data: To ensure trustworthiness, the study emphasized credibility, dependability, and confirmability throughout the research process. Transparent documentation, peer review, and participant validation were employed to enhance the reliability and validity of the findings.

The researcher ensured that the data gathered from interviews accurately reflected the facts, reactions, observations, and occurrences shared by participants. The data were examined through multiple observations and samples, and the researcher consulted with an experienced professional to verify response consistency and refine the interview questions. This process helped ensure that only pertinent and relevant questions were asked during the interviews. Additionally, respondents assisted in validating their responses by comparing them with previous answers and identifying questions that were likely to yield inadmissible or unclear responses, thereby enhancing the credibility and reliability of the qualitative findings.

Relevance: The researcher ensured that research findings are given in sufficient detail so that readers may determine whether the findings apply in similar circumstances.

Conformability was ensured by the researcher through peer review and pre checking of the open-ended questions contained in the data collecting instructions. The conformability test analysis results were compared to those of other high-level research investigations

Dependability: Using the study instrument, a pretest of the population was conducted on three (03) individuals who had professional inclination, relevant experience, and a clear understanding of the phenomenon, and were capable of providing information related to interest payment. These individuals were not included as respondents in the main study but were solely engaged to test the tool's dependability and verify the accuracy of the data collection process.

3.8 Data Analysis

3.8.1 Quantitative data analysis

Data were coded and analyzed using the Statistical Package for Social Science Program (SPSS) version 27. The quantitative analysis adopted a descriptive approach, with data summarized in tables and graphs to facilitate the interpretation of numerical variables and support the drawing of significant conclusions from the collected data. Percentages, means, and standard deviations were examined and interpreted to provide insights into the distribution and variability of responses. Measures of central tendency were used to describe how data values clustered around a central point, thereby establishing a typical numerical reference within the dataset. Data were analyzed and reported in terms of frequencies and percentages for each sub-dimension, and findings were presented in tabular format to enhance clarity and support meaningful conclusions regarding the antecedents of effective cash flow management among small and medium enterprises in Kampala.

3.8.2 Qualitative data analysis

All the qualitative data collected using interview schedules were organized into meaningful and exhaustive categories. A summary of the key points that emerged was developed, with long statements compressed into concise expressions and similar views grouped together to ensure clarity and coherence in the analysis. Principal themes that emerged from responses to each question in the interview guide were identified and presented in the discussion of findings, in line with the approach recommended by Saunders et al. (2009).

3.8 Ethical considerations

The researcher adhered to standard ethical considerations throughout the study. Informed consent was obtained from all respondents prior to their participation, and the purpose of the study was clearly explained to them to ensure voluntary involvement. Confidentiality and anonymity were maintained by refraining from collecting personally identifiable information and by not using respondents' names in any part of the research. Privacy was respected by allowing participants to withdraw at any point without penalty. Additionally, the researcher upheld academic integrity by avoiding plagiarism and ensuring that all sources and contributions were properly cited. The researcher also bore full responsibility for the ethical conduct of the study, ensuring that the data collection process was respectful, transparent, and compliant with research ethics guidelines.

CHAPTER FOUR

PRESENTATION AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter is a presentation of the findings of the study. The first section is the presentation of the response rate, background information on the characteristics of the respondents, the drivers of effectiveness cash flow management among small and medium enterprises in Kampala, the challenges faced by SMEs in Kampala to effectiveness manage their cash flows and strategies for enhancing effectiveness cash flow management among small and medium enterprises in Kampala.

4.2 Response Rate

Table 4.1 below presents summary statistics for response rates to the study.

Table 4.1: Response Rate

Category	Data Type	Sample size	Actual Size	Response Rate
SME Owners	Quantitative	396	297	75 %
Key Informants	Qualitative	8	4	50%
Total		404	301	75%

Source: Primary Data (2025)

The study targeted a total of 404 respondents. Out of these, 301 participants responded, yielding an overall response rate of 75%, which according to Sekeran (2003), is considered adequate for generalization in social research. Of the total respondents, 297 completed self-administered questionnaires, while four (04) participated in key informant interviews. Although only half of the targeted key informants were interviewed, the qualitative component achieved data saturation, as no new themes or insights were emerging from the final interviews. This confirmed that the sample size was sufficient for capturing the depth and diversity of perspectives required for the study..

4.3 Background Information of the Respondents

This subsection presents the demographic information of the respondents in terms of gender of the respondents, age group, education and level of responsibility in the organization.

4.3.1 Gender of the Respondents

Understanding the gender distribution of respondents is essential for interpreting perspectives on financial practices and business operations within SMEs. Gender dynamics can influence access to financial resources, decision-making styles, and participation in training or support programs. Table 4.2 presents the breakdown of respondents by gender

Table 4.2: Gender of the Respondents

Gender	Frequency	Percent (%)
Female	125	41
Male	176	59
Total	301	100

Source: Primary Data (2025)

The findings in Table 4.2 show that out of the 401 respondents, 125 (41%) are female while 176 (59%) were male. This distribution indicates a relatively balanced gender representation among SME owners and the KCCA officials who participated in the study. While male respondents formed the majority, the significant proportion of female participants reflects growing inclusivity and the active role women play in the SME sector in Kampala. Such representation is vital for understanding diverse perspectives on cash flow management and for promoting gender-responsive policy and support frameworks.

4.3.2 Age group of the respondents

The study sought to establish the age distribution of SME owners and managers who participated in the survey. Understanding the demographic composition of respondents is essential for interpreting entrepreneurial behavior, managerial experience, and strategic decision-making across different age cohorts. This data provides insight into the generational dynamics influencing SME operations and informs targeted policy and support interventions.

Table 4. 3: Showing Age Group of the Respondents

Age group	Frequency	Percent (%)
18-24	10	3
25-29	68	23
30-34	45	15
34-39	119	40
40 & above	59	20
Total	297	100

Source: Primary Data (2025)

Findings in Table 4.3 show that the highest proportion of respondents (40%) were aged between 34–39 years, indicating a dominant group of mature, economically active participants. This was followed by the 25–29 age group (23%) and those aged 40 and above (20%). The lowest representation came from the 18–24 age group, accounting for only 3% of respondents. This distribution suggests that most SME owners and managers in Kampala fall within age brackets typically associated with experience in financial decision-making and a greater likelihood of implementing effective cash flow management practices.

4.3.3 Education level of the respondents

The study sought to assess the education levels of SME owners and managers to determine their capacity to comprehend and apply basic financial and cash flow management practices within their enterprises. Educational attainment is a critical factor influencing managerial competence, financial literacy, and strategic decision-making. By analyzing the respondents' academic qualifications, the study provides insight into the human capital available within the SME sector and its potential for adopting sound financial practices.

Table 4. 4: Showing Education Level of the Respondents

Level of education	Frequency	Percent (%)
Secondary	60	20
Diploma	75	25
Degree	112	37
Post graduate	54	18
Total	301	100

Source: Primary Data

Findings in Table 4.4 show that the majority of respondents (37.2%) were degree holders, followed by those with diplomas (24.9%), secondary education (19.9%), and postgraduate qualifications (17.9%). This distribution indicates that most SME owners and KCCA officials who participated in the study were fairly educated, suggesting they possessed sufficient knowledge to provide reliable insights on cash flow management practices. The presence of respondents across various education levels also reflects the diversity of backgrounds within Kampala’s SME sector.

4.3.4 Business Experience

The study examined respondents’ business experience to gauge their exposure to enterprise operations and financial decision-making. This variable helps contextualize their capacity to manage cash flow and adapt to market dynamics.

Table 4.5: Showing Business Experience

Business Experience	Frequency	Percent (%)
Less than a year	71	24
Between 1 and 5 years	95	32
Between 5 and 10 years	64	22
More than 10 years	67	23
Total	297	100

Source: Primary Data

The majority of SME owners (32%) have operated their businesses for between 1 and 5 years, indicating a strong presence of early-stage enterprises. This is followed by those with more than 10 years of experience (23%) and those between 5 and 10 years (22%). Notably, 24% of respondents have been in business for less than a year. This distribution reflects a balanced mix of emerging and experienced entrepreneurs in Kampala, offering a diverse perspective on cash flow management practices across different stages of enterprise maturity.

4.4 Firm Characteristics

This subsection presents descriptive information about the SMEs involved in the study. It captures key business attributes including the number of employees, location of the enterprise across Kampala’s five administrative divisions, age of the firm, type of business activity, average monthly sales, and ownership structure. These characteristics provide context for understanding the operational scale, sectoral distribution, and financial capacity of SMEs in Kampala, which are essential for analyzing their cash flow management practices. Respondents were asked to indicate their responses by ticking () the appropriate box as provided in Section B of the questionnaire.

4.4.1 Number of Employees in Your SME

This section explores the staffing levels within SMEs to understand their operational scale and human resource capacity. Employee count is a key indicator of business size and influences cash flow needs and management practices.

Table 4.6: Showing Number of Employees in Your SME

Number of Employees	Frequency	Percent (%)
1–3	128	43
3-5	105	35
More than 5	64	22
Total	297	100

Source: Primary Data

Findings show that the majority of SMEs (43%) operate with between 1 and 3 employees, followed by those with 3 to 5 employees (35%), and those with more than 5 employees (22%). This distribution reflects the typical staffing structure of small and medium enterprises in

Kampala, where most businesses operate with lean teams. The predominance of micro-sized operations highlights the importance of efficient cash flow management practices to sustain daily operations and support gradual growth.

4.4.4 Location of the Business

The study examined the geographical distribution of SMEs across Kampala’s five administrative divisions. Location data helps contextualize business dynamics, access to markets, and infrastructural support.

Table 4.7: Showing Location of the Business

Location of the Business	Frequency	Percent (%)
Kampala Central	60	20
Kawempe	62	21
Rubaga	55	19
Makindye	59	20
Nakawa	61	21
Total	297	100

Source: Primary Data

Findings in Table 4.7 reveal a fairly even distribution of SMEs across Kampala’s five administrative divisions. Kawempe had the highest representation with 62 respondents (21%), followed closely by Nakawa with 61 (21%) and Kampala Central with 60 (20%). Makindye accounted for 59 respondents (20%), while Rubaga had the lowest but still substantial share at 55 (19%). This balanced spread suggests that SME activity is vibrant and widespread throughout the city, with no single division overwhelmingly dominating the landscape. The presence of SMEs in all divisions provides a comprehensive view of business dynamics across Kampala, allowing for more inclusive insights into cash flow management practices and challenges.

4.4.3 Type of Business Activity

This section categorizes SMEs by their primary business activity to highlight sectoral representation. Understanding the dominant sectors informs tailored financial strategies and policy interventions.

Table 4.8: Showing Type of Business Activity

Type of Business Activity	Frequency	Percent (%)
Manufacturing	57	20
Retail	109	37
Services	89	30
Agriculture/ Agriculture products	42	14
Total	297	100.0

Source: Primary Data(2025)

Findings show that the largest proportion of SMEs in the study operate in the retail sector (37%), followed by services (30%), manufacturing (19%), and agriculture/agriculture products (14%). This distribution highlights the dominance of retail and service-based enterprises within Kampala’s SME landscape, reflecting the city’s urban consumer demand and commercial orientation. The presence of manufacturing and agricultural businesses, though smaller in proportion, indicates a degree of sectoral diversity and the potential for value addition and supply chain integration. Understanding this mix of business activities is essential for tailoring cash flow management strategies to the unique operational needs of each sector.

4.4.4 Showing Ownership Structure

The study assessed the legal and organizational structure of SMEs to determine governance models and decision-making frameworks. Ownership type influences financial accountability and access to formal support systems.

Table 4.9: Showing Ownership Structure

Ownership Structure	Frequency	Percent (%)
Sole Proprietorship	17	6
Partnership	29	10
Limited Company	189	64
Cooperative	62	21
Total	297	100.0

Source: Primary Data

Table 4.9 presents the ownership structure of SMEs surveyed in the study. The majority of respondents (64%) operate under a limited company structure, indicating a preference for formal registration, legal protection, and potential access to institutional financing. Cooperatives account for 21% of the sample, reflecting collective ownership models often used to pool resources and enhance bargaining power. Partnerships represent 10%, while sole proprietorships—typically informal and individually managed—make up only 6% of the respondents.

This distribution suggests that most SMEs in Kampala are formally structured, which may enhance their ability to implement sound financial practices and comply with regulatory requirements. The presence of cooperatives also highlights community-based enterprise models, especially in sectors like agriculture and trade.

4.5 Demographic characteristics of Key Informants.

Background Information of Key Informants, now with tables and interpretations that include both frequency and percentage values for each demographic variable:

Table 4.10: Showing Gender of Key Informants

Gender	Frequency	Percent (%)
Male	2	50
Female	2	50
Total	4	100

Out of the four key informants, 2 were male (50%) and 2 were female (50%). This equal gender representation ensured that both male and female perspectives were captured in the qualitative data, promoting inclusivity and balance in interpreting cash flow management practices.

Table 4.11: Showing Age bracket of Key informats

Age Bracket	Frequency	Percent (%)
30–34	1	25
35–39	2	50
40 & above	1	25
Total	4	100

The majority of informants (2 out of 4, or 50%) were aged between 35–39 years, followed by one informant each in the 30–34 and 40 & above categories (25% each). This age distribution reflects a mature and experienced group, likely to possess practical insights into SME financial operations.

Table 4.12: Showing Education Level of Key informants

Education Level	Frequency	Percent (%)
Diploma	1	25
Degree	2	50
Postgraduate	1	25
Total	4	100

Two informants (50%) held degree qualifications, while one each (25%) had a diploma and postgraduate education. This indicates that all participants had post-secondary education, equipping them with the knowledge and analytical capacity to discuss financial management strategies meaningfully.

Table 4. 13: Showing Position in the organization

Position	Frequency	Percent (%)
SME Association Leader	2	50
KCCA Official	2	50
Total	4	100

Interpretation:

The sample included 2 SME association leaders (50%) and 2 KCCA officials (50%). This balance ensured that both grassroots business experiences and institutional policy perspectives were represented in the qualitative findings, enriching the depth and relevance of the insights.

me know if you'd like this integrated into your methodology or findings chapter.

4.6 The antecedents for effectiveness cash flow management among small and medium enterprises

One of the objectives of this study was to determine the antecedents for effective cash flow management among small and medium enterprises (SMEs) in Kampala. To achieve this, data were

collected from various stakeholders, including SME owners, managers, association leaders, and five officials from Kampala Capital City Authority (KCCA). A structured questionnaire was used to gather responses on the perceived drivers of effective cash flow management. Mean scores above 3 indicate that the driver is a key determinant of effective cash flow management, a score of 3 denotes indecision, and scores below 3 suggest the driver is not significant. Standard deviation was used to complement the mean scores where a lower standard deviation indicates greater consensus and significance of the driver. The distribution of responses from SME owners and KCCA officials, based on mean and standard deviation, is presented in the table 13 below.

Table 4.14: The antecedents for effectiveness cash flow management among small and medium enterprises in Kampala

Statement	Min	Max	Mean	Std. Dev.
I regularly review my business’s financial performance to adjust cash flow strategies.	1.00	5.00	4.33	0.80
Timely invoicing plus follow-up on payments help maintain healthy cash flow in my business.	1.00	5.00	3.87	1.04
My business regularly prepares cash flow forecasts to guide financial decisions.	1.00	5.00	3.72	1.42
My business has a clear budget that guides spending plus revenue collection.	1.00	4.00	3.68	1.29
Access to digital financial tools has improved how I monitor cash flow.	1.00	5.00	3.58	1.50
Government programs such as have contributed to improving my financial management skills.	1.00	5.00	3.45	1.21
I have received training or mentorship on financial management practices.	1.00	5.00	3.36	1.27
Keeping accurate financial records contributes to effective cash flow management.	1.00	5.00	3.23	1.51
Support from financial institutions has helped me manage short-term cash needs.	1.00	4.00	3.23	1.32
Networking with other SMEs has helped me learn better cash flow management practices.	1.00	5.00	2.75	1.71

Source: Primary Data

Table 4.14 presents the key drivers of effective cash flow management among SMEs in Kampala, ranked by their mean scores based on a five-point Likert scale. The highest-rated driver was regular review of financial performance (mean = 4.33, SD = 0.80), reflecting strong consensus on its importance. This was followed by timely invoicing and follow-up on payments (mean = 3.87), and cash flow forecasting (mean = 3.72), which were also rated highly for their role in supporting

financial decision-making. Budgeting (mean = 3.68) and access to digital financial tools (mean = 3.58) received moderate support, indicating that while valuable, these may vary in their level of adoption. Government programs (mean = 3.45) and training and mentorship (mean = 3.36) showed more varied perceptions among respondents, possibly due to differences in accessibility or effectiveness. The lowest-rated drivers included accurate record keeping (mean = 3.23), support from financial institutions (mean = 3.23), and networking with other SMEs (mean = 2.75), suggesting these factors are either underutilized or considered less influential in day-to-day cash flow management. Insights from key informant interviews with SME association leaders and officials from KCCA confirmed these findings, with a strong emphasis on the importance of regularly reviewing financial performance as the most critical practice for maintaining effective cash flow.

Key informant interviews provided valuable qualitative insights that complement the quantitative findings. These interviews involved SME association leaders and officials from the Kampala Capital City Authority (KCCA) department responsible for SME development. Their perspectives helped contextualize the drivers of effective cash flow management and revealed additional factors beyond those captured in the structured questionnaire.

The most consistently emphasized driver was the regular review of financial performance. This aligns with the highest-ranked item in the quantitative data. One SME leader explained,

“When business owners consistently assess their financial performance, they’re able to make timely adjustments that keep their operations stable and responsive to market changes” (Participant 2). This view underscores the importance of internal financial discipline in sustaining SME growth. Similarly, a KCCA official highlighted the role of timely invoicing and follow-up, stating, “Delayed payments are one of the biggest threats to SME liquidity. Those who invoice promptly and follow up are more likely to maintain a healthy cash flow.” These operational habits were described as essential for maintaining financial stability and avoiding disruptions in business continuity.”

Beyond the ranked drivers, informants identified several additional factors that influence cash flow management but were not included in the table. For instance, access to digital financial tools was acknowledged as a helpful enabler, though adoption remains uneven. A KCCA respondent noted,

“Digital tools are increasingly available, but many SMEs still rely on manual methods. Those who’ve embraced technology are clearly ahead in managing their finances.” Training and mentorship were also viewed as beneficial, especially for SMEs lacking formal financial education. One association leader remarked, “Many business owners learn by doing. Those who’ve received mentorship are better equipped to handle financial challenges.” Government programs were seen as supportive, though not always accessible. Additionally, accurate recordkeeping and support from financial institutions were recognized as important but underutilized due to informal business practices and limited access to credit. Networking with other SMEs was considered the least influential, with one leader observing, “Collaboration is limited unless you’re part of an active group. Many SMEs operate in isolation.”

These insights highlight the broader ecosystem challenges that affect cash flow management and suggest areas for policy and capacity-building interventions.

4.7 The Challenges Faced by SMEs In Kampala to Effectiveness Manage Their Cash Flows

The second objective of this study was to identify the challenges faced by small and medium enterprises (SMEs) in Kampala in managing their cash flows effectively. To achieve this, data were collected from SME owners through a structured questionnaire designed to capture their perceptions of common financial and operational obstacles. Descriptive statistics were used to analyze the extent of agreement or disagreement with each challenge, based on a five-point Likert scale. According to the scale adopted: strongly agree (5) and agree (4) indicate that the challenge is significant; not sure (3) reflects uncertainty; while disagree (2) and strongly disagree (1) suggest the challenge is not considered impactful. Mean scores above 3 indicate that the challenge is a key barrier to effective cash flow management, a score of 3 denotes indecision, and scores below 3 suggest the challenge is less relevant. Standard deviation was used to complement the mean scores,

with lower values indicating greater consensus among respondents. The distribution of responses from SME owners, based on mean and standard deviation, is presented in the table 14 below.

Table 4.15: The Challenges Faced by SMEs In Kampala to Effectiveness Manage Their Cash Flows

Statement	Min	Max	Mean	Std. Dev.
Irregular customer payments affect cash flow stability.	1.00	5.00	4.12	0.85
I rarely receive financial training to improve cash flow control.	1.00	5.00	4.11	1.37
My business lacks financial skills to monitor cash flows effectively.	1.00	5.00	4.07	0.64
Limited access to credit facilities creates liquidity problems.	1.00	5.00	3.87	1.13
Poor record-keeping practices weaken financial tracking.	1.00	5.00	3.86	0.99
Tax obligations reduce available cash for business needs.	1.00	5.00	3.86	0.99
Cash flow problems limit business growth opportunities.	1.00	5.00	3.41	1.27
Delayed supplier payments disrupt cash flow planning.	1.00	5.00	3.29	1.44
High operating costs reduce available cash for reinvestment.	1.00	5.00	3.23	1.22
I do not use budgeting tools to plan cash movements.	1.00	5.00	3.19	1.44

Source: Primary Data (2025)

Table 4.15 presents the challenges faced by SMEs in Kampala in managing their cash flows effectively. The most significant challenges identified include irregular customer payments (mean = 4.12, SD = 0.85), lack of financial skills to monitor cash flows (mean = 4.07, SD = 0.64), and limited access to financial training (mean = 4.11, SD = 1.37), indicating strong agreement among respondents. Limited access to credit facilities (mean = 3.87, SD = 1.13), poor record-keeping practices (mean = 3.86, SD = 0.99), and tax obligations (mean = 3.86, SD = 0.99) were also viewed as substantial barriers. Other challenges such as high operating costs (mean = 3.23, SD = 1.22), lack of budgeting tools (mean = 3.19, SD = 1.44), delayed supplier payments (mean = 3.29, SD = 1.44), and cash flow constraints limiting business growth (mean = 3.41, SD = 1.27) received moderate agreement, with higher standard deviations indicating varied perceptions. Overall, the findings highlight both internal capacity gaps and external financial pressures as key obstacles to effective cash flow management among SMEs in Kampala.

Key informant interviews with SME association leaders and officials from the Kampala Capital City Authority (KCCA) provided deeper insights into the challenges affecting cash flow management among SMEs. These qualitative perspectives helped validate the quantitative findings and revealed additional barriers that were not captured in the structured questionnaire.

Irregular customer payments were consistently identified as the most critical challenge to effective cash flow management. This aligns with the highest-ranked item in the quantitative data. One SME association leader explained,

“Cash flow becomes unpredictable when clients delay payments. It affects everything from paying suppliers to planning for growth.” These delays undermine financial stability and force SMEs to operate with uncertainty. Informants emphasized that addressing this issue requires stronger invoicing systems and proactive customer engagement strategies to ensure timely collections and maintain liquidity.”

Beyond the ranked challenges, interviews revealed several additional factors that hinder cash flow management. A lack of financial skills among SME owners was frequently cited. A KCCA official noted,

“Many entrepreneurs are passionate and hardworking, but they lack the financial literacy needed to track and plan their cash flows.” This highlights the need for targeted financial training and mentorship programs. Limited access to credit facilities was also a recurring theme. One association leader remarked, “Most SMEs don’t qualify for formal loans, and when they do, the terms are often unfavorable. This limits their ability to manage short-term cash needs.” Poor record-keeping practices were described as a silent but serious problem. A KCCA respondent stated, “Without proper records, SMEs can’t track their cash flow or even apply for support.”

4.8 The strategies for enhancing effectiveness cash flow management among small and medium enterprises in Kampala

The third objective of this study was to identify strategies for enhancing effective cash flow management among small and medium enterprises (SMEs) in Kampala. To achieve this, data were collected from SME owners through a structured questionnaire designed to capture their views on various financial and operational strategies. Descriptive statistics were used to assess the extent of agreement or disagreement with each strategy, based on a five-point Likert scale. According to the scale adopted: strongly agree (5) and agree (4) indicate that the strategy is relevant; not sure (3) reflects uncertainty; while disagree (2) and strongly disagree (1) suggest that the strategy is considered insignificant. Mean scores above 3 indicate that the strategy is a key determinant of effective cash flow management, a score of 3 denotes indecision, and scores below 3 suggest the strategy is less impactful. Standard deviation was used to complement the mean scores, with lower values indicating greater consensus among respondents. The distribution of responses from SME owners, based on mean and standard deviation, is presented in Table 15..

Table 4. 16: The strategies for enhancing effectiveness cash flow management among small and medium enterprises in Kampala

Statement	Min	Max	Mean	Std. Dev.
Regular review of expenses improves cost control.	1.00	5.00	4.14	0.89
Participation in savings groups improves emergency cash availability.	1.00	5.00	4.14	1.13
Negotiation with suppliers improves payment flexibility.	1.00	5.00	3.72	1.05
Training in financial literacy improves cash flow management.	1.00	5.00	3.71	1.45
Regular cash flow forecasting improves financial planning.	1.00	5.00	3.62	1.25
Use of digital tools improves accuracy in cash tracking.	1.00	5.00	3.55	1.32
Use of mobile money platforms improves cash accessibility.	1.00	5.00	3.52	1.25
Timely invoicing improves cash inflow consistency.	1.00	5.00	3.14	0.89
Separation of personal finances from business finances improves cash control.	1.00	5.00	2.36	1.24
Access to financial advisory services improves decision-making on cash use.	1.00	5.00	2.31	1.14

Source: Primary Data

Table 4.16 presents the strategies identified by respondents for enhancing effective cash flow management among SMEs in Kampala. The most strongly supported strategies include participation in savings groups (mean = 4.14, SD = 1.13) and regular review of expenses (mean = 4.14, SD = 0.89), both seen as vital for improving emergency cash availability and cost control. Negotiation with suppliers (mean = 3.72, SD = 1.05) and training in financial literacy (mean = 3.71, SD = 1.45) were also recognized as important approaches to improving payment flexibility and financial decision-making. Other strategies such as regular cash flow forecasting (mean = 3.62, SD = 1.25), use of digital tools (mean = 3.55, SD = 1.32), and mobile money platforms (mean = 3.52, SD = 1.25) were moderately supported, reflecting their growing relevance in modern financial management. Timely invoicing (mean = 3.14, SD = 0.89) received limited agreement, while separation of personal and business finances (mean = 2.36, SD = 1.24) and access to financial advisory services (mean = 2.31, SD = 1.14) were considered less impactful. Overall, the findings suggest that SMEs prioritize practical, community-based, and internally driven strategies to strengthen their cash flow management).

Key informant interviews with SME association leaders and officials from the Kampala Capital City Authority (KCCA) provided qualitative insights into the strategies that enhance effective cash flow management among SMEs. These perspectives helped validate the quantitative findings and revealed additional approaches beyond those captured in the structured questionnaire.

Participation in savings groups was consistently identified as the most emphasized strategy for improving cash flow resilience. This aligns with the highest-ranked item in the quantitative data. One KCCA official explained, “*Savings groups offer a safety net. When cash flow is tight, these networks provide quick access to funds without the bureaucracy of formal lending.*” This view highlights the importance of informal financial networks in supporting liquidity among SMEs.

Another SME association leader emphasized the importance of regularly reviewing expenses to control costs and improve financial discipline. He noted, “*Tracking expenditures enables businesses to identify wasteful spending and redirect resources toward more productive uses.*” This reinforces the role of internal financial control in sustaining operational efficiency.

Training in financial literacy also emerged as a widely supported strategy. One informant remarked, “*Many business owners are skilled in their trade but lack the financial knowledge to*

manage cash effectively. Training empowers them to make better decisions.” This underscores the need for capacity-building programs tailored to SME realities.

A KCCA official pointed to the growing use of digital tools and mobile money platforms, stating, *“Digital tools are increasingly available, but many SMEs still rely on manual methods. Those who’ve embraced technology are clearly ahead in managing their finances.”* This suggests that while technology offers clear benefits, adoption remains uneven and may require targeted support.

Finally, another SME leader acknowledged that while strategies such as negotiation with suppliers and cash flow forecasting are helpful, others such as separating personal and business finances or accessing financial advisory services face cultural and structural barriers. He observed, *“Collaboration is limited unless you’re part of an active group. Many SMEs operate in isolation.”* This highlights the need for more inclusive and accessible formal financial mechanisms.

Together, these insights reveal that practical, community-based, and technology-driven solutions are more widely embraced by SMEs in Kampala. More formal strategies require additional support, awareness, and adaptation to local contexts.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter highlights the summary, discussion, conclusions and recommendations arising from the study findings as well as suggesting areas for future research.

5.1 Summary of the findings

5.1.1 The antecedents for effectiveness cash flow management among small and medium enterprises in Kampala

The study revealed that, regular financial performance reviews, which enable proactive monitoring and operational modifications, were found to be essential antecedents for good cash flow management among SMEs in Kampala, followed by cash flow forecasting to predict future requirements. Timely invoicing and payment follow-up increased receivables turnover, while the use of digital financial instruments improved monitoring. Maintaining clear budgets aided expenditure control, although financial education had a limited impact due to unequal adoption. Financial institutions and government programs provided modest assistance, while networking with other SMEs had the least impact on cash flow strategies. These findings highlight that internal financial discipline and operational habits are central to effective cash flow management. While external support mechanisms exist, their impact is limited unless SMEs actively engage with structured financial practices and tools.

5.1.2 The Challenges Faced by SMEs In Kampala to Effectiveness Manage Their Cash Flows

The established that the main challenges to effective cash flow management among SMEs included irregular customer payments, which disrupt cash inflows, followed by lack of financial skills and limited access to financial training, which hinder informed decision-making. Other notable challenges were limited access to credit, poor record-keeping, tax obligations, high operating costs, delayed supplier payments, and the absence of budgeting tools, all of which constrain working capital, operational efficiency, and financial planning. These challenges reflect both structural and capacity-related barriers that limit SME financial stability. Addressing them

requires targeted interventions in financial education, credit access, and record-keeping practices to strengthen SME resilience.

5.1.3 The strategies for enhancing effectiveness cash flow management among small and medium enterprises in Kampala

The study found out that the key strategies adopted by SMEs to manage cash flow included participation in savings groups for emergency liquidity, regular review of expenses for cost control, and negotiation with suppliers to improve payment terms. Other strategies were financial literacy training, regular cash flow forecasting, use of digital tools and mobile money platforms, separation of personal and business finances, and accessing financial advisory services, though some were less consistently implemented or limited by cultural norms and availability. The strategies suggest that SMEs favor practical, community-based, and technology-driven approaches to managing cash flow. However, formal financial mechanisms require greater accessibility and cultural adaptation to be fully effective.

5.2 Discussion of findings

5.2.1 The drivers of effectiveness cash flow management among small and medium enterprises in Kampala

The study found that the most influential drivers of effective cash flow management among SMEs in Kampala include regular review of financial performance, timely invoicing and follow-up on payments, cash flow forecasting, budgeting, and the use of digital financial tools. Training and mentorship in financial management, along with support from government programs, were also noted as contributing factors, though to a lesser extent. Networking and institutional support were perceived as less impactful. Overall, the findings emphasize that internal financial discipline and access to practical tools are central to sustaining healthy cash flow among SMEs.

These findings are consistent with several scholarly studies published between 2020 and 2025. For instance, Manalo et al. (2025) concluded that cash flow planning, monitoring, and control significantly influence the financial performance of micro and small enterprises, reinforcing the importance of structured financial practices. Similarly, Opio and Akello (2023) found that SMEs in

Lira City prioritize cash flow forecasting and working capital management, which aligns with the emphasis on internal financial review and planning observed in this study.

Akandwanaho (2023) also supports these findings, noting that while cash flow management had a positive but statistically insignificant effect on financial performance, its role in operational stability remains critical. Furthermore, OARJMS (2024) highlighted that dynamic forecasting and regular budget reviews are essential for SMEs to anticipate cash flow needs and mitigate financial risks, which concurs with the current study's emphasis on forecasting and budgeting practices.

Lastly, IAJEF (2022) emphasized the widespread adoption of budgeting among SMEs as a core cash flow management practice, confirming the relevance of structured financial planning as a driver of cash flow effectiveness. Collectively, these studies validate the current findings and underscore the broader consensus that internal financial systems, digital tools, and capacity-building efforts are vital for effective cash flow management in SMEs.

5.2.2 The Challenges Faced by SMEs In Kampala to Effectiveness Manage Their Cash Flows

The study found that SMEs in Kampala face a range of challenges that hinder effective cash flow management. These include irregular customer payments, limited financial skills, poor record-keeping practices, and restricted access to credit facilities. High operating costs, lack of budgeting tools, and delayed supplier payments further complicate financial planning and liquidity control. Tax obligations and limited access to financial training were also cited as barriers, contributing to reduced cash availability and weakened financial oversight.

These findings are supported by several recent scholarly studies. Manalo et al. (2025) emphasized that poor cash flow planning and monitoring are directly linked to deteriorating financial performance among micro and small enterprises, reinforcing the need for structured financial practices. Similarly, Opio and Akello (2023) found that SMEs in Lira City struggle with receivables and payables management, which aligns with the current study's identification of irregular customer payments and delayed supplier settlements as major issues.

Ogunleye (2024) highlighted that SMEs often operate in volatile financial environments, facing inconsistent cash flow and limited access to credit, which mirrors the liquidity challenges reported in this study. In addition, Assefa and Onsare (2024) conducted a systematic review showing that

inadequate financial literacy among SME owners and managers is a major barrier to sound financial management, consistent with the findings on limited financial skills and lack of training. Finally, OARJMS (2024) stressed the importance of anticipating cash flow fluctuations and maintaining financial stability through regular budget reviews, a practice that many SMEs in Kampala reportedly neglect.

Together, these studies validate the current findings and underscore the broader consensus that internal capacity gaps, limited financial education, and external financial constraints are persistent challenges to effective cash flow management among SMEs in developing urban economies like Kampala.

5.2.3 The strategies for enhancing effectiveness cash flow management among small and medium enterprises in Kampala

The study found that SMEs in Kampala employ a variety of strategies to improve cash flow management, with the most widely supported being participation in savings groups and regular review of expenses. These practices were viewed as practical and community-driven solutions for enhancing emergency cash availability and maintaining cost control. Other strategies such as negotiation with suppliers, financial literacy training, and regular cash flow forecasting were also considered valuable for improving financial planning and operational flexibility. The use of digital tools and mobile money platforms received moderate support, reflecting their growing relevance in tracking and accessing cash. However, strategies like separating personal and business finances and seeking financial advisory services were seen as less impactful, likely due to cultural norms and limited access to professional financial guidance.

These findings are supported by several recent scholarly studies. Manalo et al. (2025) emphasized that SMEs benefit significantly from consistent expense tracking and community-based financial practices, such as savings groups, which help mitigate short-term cash shortages. Similarly, Akandwanaho (2023) found that regular financial reviews and supplier negotiations contribute to improved cash flow control, especially in informal business settings. Meenakshi and Ranjan (2024) highlighted the importance of budgeting, financial literacy, and digital integration as core strategies for enhancing SME financial resilience and sustainability.

In addition, OARJMS (2024) stressed that dynamic forecasting and rolling budgets are essential tools for SMEs to anticipate cash needs and adjust spending accordingly. Opio and Akello (2023) also noted that mobile money platforms and digital tools are increasingly adopted by SMEs to streamline cash tracking and improve accessibility, aligning with the moderate support these strategies received in the current study. Finally, Ogunleye (2024) argued that while financial advisory services can be beneficial, their impact is often limited in low-resource environments due to accessibility and trust issues, which concurs with the study's findings on their perceived low relevance.

Overall, the study's findings are consistent with existing literature, reinforcing the view that practical, community-based, and technology-enabled strategies are most effective in enhancing cash flow management among SMEs in Kampala. These approaches offer scalable and context-sensitive solutions that align with the operational realities of small businesses in developing economies.

5.3 Conclusions

5.3.1 The Drivers of Effective Cash Flow Management Among SMEs in Kampala

The study concludes that effective cash flow management among SMEs in Kampala is primarily driven by internal financial practices. Ranked first was the regular review of financial performance, which enables business owners to monitor income and expenses, detect early signs of financial strain, and make timely adjustments. Cash flow forecasting ranked second, helping SMEs anticipate future financial needs and avoid liquidity shortfalls. Timely invoicing and consistent follow-up on payments came third, reinforcing the importance of disciplined receivables management. Maintaining clear budgets was also a significant driver, supporting cost control and resource allocation. The use of digital financial tools ranked fifth, reflecting a growing but uneven adoption of technology to support financial oversight. Financial training was moderately impactful, suggesting that while capacity-building is valuable, its reach may be limited. External support from financial institutions and government programs ranked lower, likely due to access barriers or limited relevance to day-to-day operations. Networking with other SMEs was found to have minimal impact, indicating that peer interactions may not directly influence financial management

practices. Overall, SMEs benefit most from structured routines and practical tools that enhance their ability to monitor, plan, and manage cash flows effectively.

5.3.2 The Challenges Faced by SMEs in Kampala in Managing Cash Flows Effectively

SMEs in Kampala face a mix of internal and external challenges that hinder effective cash flow management. The most severe challenge was irregular customer payments, which disrupt cash inflows and create uncertainty in financial planning. Ranked second was the lack of financial skills, limiting the ability of SME owners to interpret financial data and make informed decisions. Limited access to financial training followed, highlighting the need for more inclusive and practical capacity-building initiatives. Limited access to credit facilities ranked fourth, restricting working capital and investment opportunities. Poor record-keeping practices and tax obligations were also significant, affecting both compliance and financial tracking. High operating costs and delayed supplier payments added further strain, reducing available cash and complicating procurement cycles. The absence of budgeting tools ranked lowest among the major challenges, indicating that while important, this issue was less frequently cited. These findings reflect both internal capacity gaps and structural barriers in the financial ecosystem. Addressing these challenges will require targeted interventions such as financial literacy programs, simplified financial management tools, and improved access to affordable credit tailored to the needs of small businesses.

5.3.3 Strategies for Enhancing Effective Cash Flow Management Among SMEs in Kampala

SMEs in Kampala adopt a variety of strategies to improve cash flow management, with some approaches proving more effective than others. Participation in savings groups ranked highest, offering a reliable source of emergency liquidity and encouraging disciplined financial behavior. Regular review of expenses came second, helping businesses identify cost drivers, eliminate waste, and maintain operational efficiency. Negotiation with suppliers for flexible payment terms ranked third, giving SMEs more room to manage cash cycles and reduce pressure on immediate outflows. Financial literacy training and regular cash flow forecasting were also considered valuable, supporting better planning and decision-making. The use of digital tools and mobile money platforms ranked moderately, reflecting their growing role in improving cash tracking and accessibility, though adoption remains uneven. Strategies such as separating personal and business

finances and accessing financial advisory services were viewed as less impactful, possibly due to cultural norms, informal business structures, and limited access to professional support. Overall, SMEs favored practical, community-driven, and technology-enabled approaches that align with their operational realities and resource constraints.

5.4 Study recommendations

The study recommends that government agencies, SME associations, and financial institutions collaborate to design and deliver targeted financial literacy programs. These programs should focus on budgeting, forecasting, record-keeping, and cash flow analysis. Training should be practical, accessible, and tailored to the operational realities of SMEs to build lasting financial competence.

The study recommends that SMEs adopt structured invoicing systems and integrate digital payment reminders to encourage timely customer payments. Stakeholders, including business associations and local chambers, should lead awareness campaigns on payment discipline to foster a culture of financial responsibility among clients.

The study recommends that financial institutions develop SME-friendly loan products with flexible repayment terms and reduced collateral requirements. Government-backed credit guarantee schemes should be expanded to de-risk lending and improve access to finance for small businesses, especially those in early growth stages.

The study recommends that SME support organizations and local governments promote the formation and formalization of savings groups. These groups should be linked to regulated financial institutions to enhance their reliability, increase access to emergency funds, and support long-term financial planning.

The study recommends that SMEs adopt simple digital bookkeeping tools to improve financial tracking and planning. Basic training on documentation practices should be provided, and development partners and tech providers should support the rollout of user-friendly platforms tailored to small business needs..

5.5 Limitations of the study

The study was geographically limited to SMEs operating within Kampala, which may not fully represent the cash flow management realities of enterprises in other regions of Uganda. To enhance the relevance and generalizability of future findings, researchers should expand the scope to include SMEs from diverse districts and economic zones. This broader sampling would allow for meaningful regional comparisons and help identify location-specific financial challenges and practices.

Additionally, the study employed a cross-sectional design, capturing data at a single point in time. While this approach provided useful insights, it did not account for seasonal fluctuations or long-term changes in cash flow behavior. Future research should adopt a longitudinal design to track how SMEs adjust their cash flow strategies over time, especially in response to economic shifts, policy changes, or business growth. Such an approach would offer deeper understanding of financial resilience and the sustainability of different management practices.

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APPENDICES



APPENDIX 1: QUESTIONNAIRE FOR SME OWNERS IN KAMPALA DISTRICT

Dear Respondent,

My name is KUSHABA LOYCE, and I am a student at Makerere University currently undertaking a study titled the antecedents of effectiveness cashflow management among small and medium enterprises in Kampala as part of the requirements for my Master of Business Administration degree. You have been chosen to participate in this study because your insights are highly valued. I kindly request that you take a few moments to respond to the questions or statements as openly, honestly, and independently as possible. Please rest assured that your responses will be kept confidential and anonymous, as this research is conducted solely for academic purposes.

Thank you very much for your time.

SECTION A: Respondents Characteristics

Please answer all questions and indicate your responses by ticking () in the appropriate box as requested.

A1 Gender

Male	Female
1	2

A2 – For how long have you been running this business?

Less than a year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
1	2	3	4

A3 What’s your age bracket

18-24	25-29	30-34	34-39	40 & above
1	2	3	4	5

A4 What is your highest Level of education

Ordinary level certificate	Advanced level certificate	National certificate or Diploma	Bachelor’s degree	Master’s degree
1	2	3	4	5

Section B: Firm Characteristics

Please answer all questions and indicate your responses by ticking () in the appropriate box as requested.

B1 Number of Employees in Your SME

1-3	3-5	More than 5
1	2	3

B2 – What is the Location of the Business?

Kampala Central	Kawempe	Rubaga	Makindye	Nakawa
1	2	3	4	5

B3 Age of the SME (Years in Operation)

Less than 1 year	1-5 years	6-10 years	More than 10 years
1	2	3	4

B4 Type of Business Activity

Manufacturing	Retail	Services	Agriculture	Other
1	2	3	4	5

B6 Ownership Structure

Sole Proprietorship	Partnership	Limited Company
1	2	3

SECTION C: DRIVERS OF CASH FLOW MANAGEMENT

In this context, drivers refer to the key factors, practices, or support mechanisms that positively influence the ability of SMEs to manage their cash flow effectively. The categories include financial planning, record keeping and monitoring, capacity building, institutional and government support, and technology adoption.

Please indicate the extent to which you agree with the statements where (1 = Strongly disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; and 5 = Strongly agree)

CODE	Statements relating to the drivers of effectiveness cash flow management among small and medium enterprises in Kampala	SD	D	NS	A	SA
C1	My business regularly prepares cash flow forecasts to guide financial decisions.	1	2	3	4	5
C2	I have received training or mentorship on financial management practices.	1	2	3	4	5
C3	Access to digital financial tools has improved how I monitor cash flow.	1	2	3	4	5
C4	Timely invoicing plus follow-up on payments help maintain healthy cash flow in my business.	1	2	3	4	5
C5	Keeping accurate financial records contributes to effective cash flow management.	1	2	3	4	5
C6	Support from financial institutions has helped me manage short-term cash needs.	1	2	3	4	5
C7	My business has a clear budget that guides spending plus revenue collection.	1	2	3	4	5
C8	I regularly review my business's financial performance to adjust cash flow strategies.	1	2	3	4	5
C9	Networking with other SMEs has helped me learn better cash flow management practices.	1	2	3	4	5
C10	Government programs such as have contributed to improving my financial management skills.	1	2	3	4	5

SECTION D: THE CHALLENGES FACED BY SMES IN KAMPALA TO EFFECTIVENESS MANAGE THEIR CASH FLOWS

In this context, challenges refer to the key obstacles, limitations, or recurring issues that hinder the ability of SMEs in Kampala to manage their cash flows effectively. These challenges are grouped into five categories: limited access to finance, poor financial planning, inadequate record keeping, low digital adoption, and weak institutional support

Please indicate the extent to which you agree with the statements where (1 = Strongly disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; and 5 = Strongly agree).

	<i>Statements relating to the challenges faced by SMEs in Kampala to effectiveness manage their cash flows</i>	1	2	3	4	5
D1	My business lacks financial skills to monitor cash flows effectively.	1	2	3	4	5
D2	Irregular customer payments affect cash flow stability.	1	2	3	4	5
D3	Limited access to credit facilities creates liquidity problems.	1	2	3	4	5
D4	High operating costs reduce available cash for reinvestment.	1	2	3	4	5
D5	I do not use budgeting tools to plan cash movements.	1	2	3	4	5
D6	Poor record-keeping practices weaken financial tracking.	1	2	3	4	5
D7	Delayed supplier payments disrupt cash flow planning.	1	2	3	4	5
D8	Tax obligations reduce available cash for business needs.	1	2	3	4	5
D9	I rarely receive financial training to improve cash flow control.	1	2	3	4	5
D10	Cash flow problems limit business growth opportunities.	1	2	3	4	5

SECTION E: The strategies for enhancing effectiveness cash flow management among small and medium enterprises in Kampala

In this context, strategies refer to the practical actions, tools, and support systems that SMEs in Kampala can adopt to improve the management of their cash flows. These strategies are grouped into five categories: financial planning techniques, digital financial solutions, capacity building initiatives, institutional and policy support, and peer learning and collaboration.

Please indicate the extent to which you agree with the statements where (1 = Strongly disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; and 5 = Strongly agree).

	Statements to the strategies for enhancing effectiveness cash flow management among small and medium enterprises in Kampala	1	2	3	4	5
D1	Training in financial literacy improves cash flow management.	1	2	3	4	5
D2	Use of digital tools improves accuracy in cash tracking.	1	2	3	4	5
D3	Regular cash flow forecasting improves financial planning.	1	2	3	4	5
D4	Timely invoicing improves cash inflow consistency.	1	2	3	4	5
D5	Separation of personal finances from business finances improves cash control.	1	2	3	4	5
D6	Use of mobile money platforms improves cash accessibility.	1	2	3	4	5
D7	Participation in savings groups improves emergency cash availability.	1	2	3	4	5
D8	Negotiation with suppliers improves payment flexibility.	1	2	3	4	5
D9	Regular review of expenses improves cost control.	1	2	3	4	5
D10	Access to financial advisory services improves decision-making on cash use.	1	2	3	4	5

APPENDIX 2: INTERVIEW GUIDE FOR KEY INFORMANTS



MAKERERE

UNIVERSITY

COLLEGE OF BUSINESS AND MANAGEMENT SCIENCES

INTERVIEW GUIDE FOR KEY INFORMANTS

Dear Participant,

I am a postgraduate student at Makerere University conducting a study entitled, “The Antecedents of Effective Cash Flow Management Among Small and Medium Enterprises in Kampala.” Cash flow management refers to the process of tracking, analyzing, and optimizing the inflow and outflow of cash within a business to ensure it has sufficient liquidity to meet its obligations, invest in growth, and remain financially stable. The findings from this study will help identify key factors that influence cash flow practices among SMEs and inform strategies to strengthen financial sustainability and operational efficiency in the sector.

You have been identified as one of the valued participants in this survey. I therefore request you to take some time, thoughtfully think about the questions herein, and provide frank and honest responses. The survey should last less than 30 minutes. Your responses will be treated confidentially and used strictly for the purpose of the study. Plus, your participation is entirely voluntary and you are free to choose to withdraw from the study at any time.

Section A: Background information

- a) What is your gender?
- b) What is your age bracket?
- c) What is your highest level of education?
- d) What is your position in Organization?

Section B: The drivers of effectiveness cash flow management among small and medium enterprises in Kampala

1. How does financial planning, such as budgeting and forecasting, contribute to effective cash flow management in your SME?
2. In what ways has training or mentorship improved your ability to manage business cash flows?
3. How has the use of digital financial tools helped you monitor and control cash flow in your enterprise?
4. Can you explain how timely invoicing and follow-up on payments support healthy cash flow in your business?
5. How does maintaining accurate financial records influence your ability to manage cash flow effectively?

Section C: The challenges faced by SMEs in Kampala to effectiveness manage their cash flows

1. What financial or operational challenges make it difficult for your SME to maintain consistent cash flow?
2. How does limited access to affordable credit affect your ability to manage short-term cash needs?
3. What difficulties do you face in keeping up with financial documentation and tracking cash movements?
4. How does low adoption of digital tools or systems hinder your cash flow management practices?
5. In what ways do gaps in financial knowledge or lack of training affect your ability to manage cash flow?

Section D: strategies for enhancing effectiveness cash flow management among small and medium enterprises in Kampala

1. What financial planning techniques have you adopted to improve cash flow management in your SME?
2. How has the use of digital platforms or mobile money improved your cash flow tracking and control?
3. What role do government programs or financial institutions play in supporting your cash flow management?
4. How has networking or collaboration with other SMEs helped you learn better cash flow practices?
5. What kind of training or capacity-building initiatives would help you strengthen your cash flow management?

---THE END---

MAKERERE

Plot 51, Pool Road
P.O. Box 7062



UNIVERSITY

Phone: +256 414 530 945
E-mail: deanbiz.bams@mak.ac.ug

Website: www.mak.ac.ug



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MEMORANDUM

TO: **THE DEAN**

FROM: **MR. JAYANT KADHAR**

RE: REQUEST FOR A LETTER OF INTRODUCTION TO THE DEAN OF BUSINESS ADMINISTRATION AT WILSON UNIVERSITY

This is to introduce to you Mr. Jayant Kadhar, a student of Business Administration studies majoring in Finance, BBA in Finance III, who is currently conducting a Term Research on "Assessing the Effectiveness of Qualitative Techniques in SMEs: Case Study: Kenya Market." His research project title suggests that Jayant will provide you to SMEs in management for the award of the Degree of Master of Business Administration at Wilson University.

With the research being pursued primarily for academic purposes, your contribution in regard to better guiding and assisting in the overall operation of organizations. Therefore, Jayant needs your suggestions for assistance in the execution of the aforementioned research.

Any research assistance rendered to him will be our pleasure, and we look forward to get continued support.

Yours sincerely,

Mr. Jayant Kadhar,
Assistant Coordinator, Graduate Programmes and Research,
Telephone: 0707577637/0707576332
Email: jayantkadhar@mak.ac.ug



Empowering the youth of Uganda by building a 'Youth-owned' Society